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Ex Parte

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W. – Portals
Washington, DC 20554

Re: *Application by Verizon Pennsylvania for Authorization to Provide In-Region InterLATA Services in Pennsylvania*, CC Docket No. 01-138.

Dear Ms. Salas:

This letter responds to a few arguments raised by commenters in recent ex partes to which Verizon has not had an opportunity to respond.

As we previously explained, the billing issue here is a narrow one. It does not involve the billing information that CLECs need to obtain from Verizon so that they can combine it with information from their own customer records in order to bill their customers. *See Connecticut Order* at D-39 (BOC must provide access to billing functions "necessary to enable competing carriers to provide accurate and timely bills to their customers"). Rather, the issue here relates to the separate wholesale bills that Verizon sends to CLECs for the products and services they purchase from Verizon – bills that Verizon has a strong incentive to get right so that it can get paid. As to these bills, the standard applied by the Commission is to determine whether the billing processes, systems and performance taken as a whole "gives competing carriers a meaningful opportunity to compete." *See Connecticut Order* at D-40. As we previously explained and as further elaborated below, under the circumstances here, they do.

As we also previously explained, the focus here has been even narrower. Verizon provides CLECs with a choice of wholesale bills as their official bill of record: either an end user formatted bill that the majority of carriers have chosen to receive (and that KPMG tested in paper form), or an electronic bill in BOS BDT format that Verizon made available as an official bill of record earlier this year after working through a number issues with the CLECs and implementing systems changes to address those issues. The second of these two alternatives has been the focus of dispute here.

As to this narrow issue, Verizon demonstrated previously that it had implemented system changes prior to filing its application here to address the issues with the BOS BDT that had been identified jointly with the CLECs, and that any remaining issues were small, amounting to one percent or less of the billed amounts. Moreover, on a commercial, business-to-business basis, both the number of trouble tickets reported to the Wholesale Customer Care Center (the "help desk") for system or technical issues concerning the BOS BDT, and the amount of billing disputes concerning errors on bills in general, are roughly comparable in Pennsylvania over the last several months to the dispute experience in New York, a state where the comments filed here agree that Verizon's bills are good. *See* McLean/Wierzbicki/Webster Reply Decl. ¶¶ 35, 40; Letter from Dee May to Magalie Roman Salas dated August 17, 2001 (Aug. 17 Ex Parte).

The report from PricewaterhouseCoopers (PwC) filed on September 7, 2001 confirms that, as Verizon has previously demonstrated, the amount of taxes, directory advertising, and carrier usage on BOS BDTs are each substantially less than one percent of current charges. In addition, PwC's report demonstrates that charges associated with retail USOCs on UNE bills amount to only about 1% of current charges. A substantial portion of this amount relates to "embedded base accounts" – accounts established before the software change was implemented to address this issue. Verizon has previously explained that it is in the process of correcting information contained in such "embedded base accounts."

1. WorldCom Claims

A. Port Charges: In its ex parte filed on August 17, 2001, WorldCom claimed that it was overcharged by hundreds of thousands of dollars in port charges on its May, June, and July bills. WorldCom noted that Verizon disagreed with WorldCom's assessment of the amount, but argued that "this disagreement results from Verizon's ongoing failure to enable CLECs to order electronically the lower priced port." WorldCom's argument is grossly misleading.

First, Verizon has issued credits to WorldCom (and to other CLECs) for the difference in price between the full-featured port ordered by WorldCom, and the lesser featured port which it says it wants, and those credits are being applied to WorldCom's bills. The fact that these credits are appearing on CLEC bills is confirmed by PricewaterhouseCoopers' (PwC's) report. *See* Letter from Clint E. Odom to Magalie Roman Salas dated September 7, 2001.

Second, WorldCom's arguments that it is being "overcharged" on ports is particularly misleading, because WorldCom has not been forthright about the actual features it is using on the ports for which it has sought credits. Although Verizon has credited WorldCom the full $0.77 difference in price between the full-featured port and the lesser-featured port for every port for which WorldCom has been billed, further investigation has shown that over ******** WorldCom platform accounts have Three-Way Calling. This feature is not included in the lesser-featured port, and is subject to an additional charge if the CLEC orders it in connection with the lesser-featured port. The credit due WorldCom on these lines is at most $0.25 (the difference in price between the full-featured port and the lesser-featured port plus the additional feature). As a result, Verizon has, in fact, over-credited WorldCom for switch ports.

Third, as Verizon has previously noted, *see* August 17 Ex Parte, Verizon provides CLECs with the means to order the lesser-featured ports electronically. Attachment 1 to this letter is a copy of a Local Service Request (LSR) from a CLEC as it appears in Verizon's system showing that that CLEC had ordered the lesser-featured ports ("Option B"). This order was received over the Web GUI. Attachment 2 to this letter is a copy of that CLEC's July bill showing the Option B ports at the correct rate. In spite of the existence of this ordering capability, Verizon has agreed – at WorldCom's request – that it can continue to order the full-featured ports and receive a credit when it wants a lesser-featured port.

B. Late Payment Charges: WorldCom also argues that its bills are erroneous because they contain late payment charges. According to WorldCom, it paid its bills prior to the April bill, and paid its May bill (other than specific disputes) on time. But as Verizon demonstrated in its August 17 Ex Parte, the claim that WorldCom paid its bills prior to April is flat wrong. As the payment summary attached to that letter shows, WorldCom's April bill for its large UNE platform account included past due charges ("carryover balance") of more than ******** in unpaid bills. WorldCom has not paid its bills despite the fact that it knows from its own records that, at a minimum, the vast majority of these charges are appropriately owed to Verizon. And it is WorldCom's refusal to pay these prior months' bills – the vast majority of which are not subject to any legitimate dispute – that is the reason that WorldCom's May bill included late payment charges. Moreover, as the summary shows, any payments that WorldCom made with respect to its May bill did not cover its past due balance. Accordingly, late payment charges continued to accrue on the unpaid amount and appeared on WorldCom's June bill. Of course, in the event that WorldCom does raise a specific dispute with respect to a charge on its bill that is legitimate, it will receive a credit both for the disputed amount and the corresponding late fee.

Finally, as Verizon has previously explained, during the ramp up of the manual review process for the BOS BDT bills, it held BDT files to enable them to go through the review process. Verizon notified CLECs of this fact and that late payment charges for that month would be waived. Those credits will appear on CLECs' September bills. Moreover, as of June 26, Verizon exempted WorldCom from late payment charges while we work through other issues with them. As a result, late payment charges did not appear on WorldCom's July bill and their ex parte made no mention of a dispute in this regard with its July bill.

C. Retransmission of Bills: WorldCom also claims that Verizon has refused to retransmit bills with formatting or other problems, and points specifically to its June and July bills. WorldCom opened a trouble ticket (#336894) with respect to its July bill on July 17. The file specified in the trouble ticket was corrected and resent to WorldCom on August 3. Attachment 3 is a copy of the confirmation of transmission to WorldCom. Verizon also implemented a program change to correct the value for this field. In any event, as Verizon has previously explained, WorldCom's ability to identify specific disputed charges on its bills belies its claim that the bill is not usable and cannot be analyzed.

2. Z-Tel

A. <u>Billing metrics</u>: In its September 5 Ex Parte, Z-Tel argues that the corrected results for the Bill Accuracy metric (BI-3) show that Verizon is providing discriminatory service to CLECs. That is simply not the case. As Verizon explained in its Reply Comments, this metric reflects the total amount of dollars credited to CLECs in the reporting month, regardless of what month(s) the error that caused the credit occurred in. McLean/Wierzbicki/Webster Reply Decl. ¶ 54. The corrected results filed by Verizon reflect the fact that, as we have described, Verizon has done substantial work to correct historical errors in existing accounts, and has issued retroactive credits as that work was done. Moreover, as we have previously demonstrated (*see* August 17 Ex Parte), on a current basis, the percentage of billed amounts being disputed has dropped in recent months to approximately 2% – levels that are comparable to, or better than, in New York, where the CLECs themselves have made clear that Verizon's bills provide them with a meaningful opportunity to compete. *See, e.g.*, WorldCom Lichtenberg Reply Decl. ¶ 20; Z-Tel at 2; Z-Tel Reply Comments at 6; Z-Tel Rubino Decl. ¶¶ 4, 8.

In any event, both the CLECs and Verizon agree that this measure is flawed. In the New York Carrier-to-Carrier Guidelines, for example, it is not a parity measure, and is reported for diagnostic purposes only. It is not included in the New York Performance Assurance Plan. *See* McLean/Wierzbicki/Webster Reply Decl. ¶ 57. Moreover, as Verizon explained it is August 31 ex parte, the Carrier-to-Carrier Working Group in New York has agreed to eliminate this metric and replace it, on a trial basis, with two new metrics that focus on the timeliness of acknowledging and resolving billing disputes. Verizon has voluntarily offered to let CLECs who have declared the BOS BDT as their bill of record make a one time election to replace the Pennsylvania Bill Accuracy measure with two new measures based on the New York Carrier-to-Carrier trial metrics.

B. <u>Z-Tel's dispute of June bill</u>: In its August 10 ex parte, Z-Tel claimed that it had disputed portions of its June bill. In fact, as explained below, the actual dispute involves only about 1% of the current charges. The disputes covered four categories: end user features, wrong loop rates, unclear charges, and wrong port/switching rate. While Z-Tel indicated that its dispute with its June bill from Verizon amounted to about 11% of the billed charges, Verizon's analysis has shown that the bulk of the disputed charges are correct or have already been credited. *See* August 17 Ex Parte.

First, the largest single category in Z-Tel's June dispute was for charges that were correct. This item (accounting for 45% of the disputed charges, or about 5% of the billed charges) is its claim for "double billing" of loop rates. As we previously explained, Verizon's investigation showed that Z-Tel was appropriately billed for the loop charges, but that in some instances the telephone number associated with the charge was missing. As a result, it may have appeared to Z-Tel as if the charge duplicated the loop charge above it when it was actually for another telephone number. Verizon has sent Z-Tel a file associating the loop charges with the missing telephone numbers.

Second, the next largest category already had been credited before Z-Tel disputed it. This item was Z-Tel's claim for "end user features" (accounting for 35% of the disputed charges, or about 4% of the billed charges). As previously explained, Verizon determined that, while charges associated with retail USOCs did appear on Z-Tel's bill, in the vast majority of cases (at least 13,000 of the approximately 15,000 Verizon investigated) a credit for the same USOC appeared either on the same June bill or on Z-Tel's July bill. These credits were issued as a result of Verizon's work to correct so-called embedded base accounts following the implementation of the single service order fix on June 16. Attachment 4 is a copy of an excerpt from Z-Tel's June BDT showing that for charges associated with a retail USOC, there is a corresponding credit. Thus, over one-third of the amount of Z-Tel's June dispute had already been corrected and credited by Verizon before the dispute was submitted. In addition, this further confirms that the systems changes and embedded base corrections implemented by Verizon have worked. Verizon has sent Z-Tel a file extracting the related charges and credits on their June bill to demonstrate this.

Third, the next largest category also has been credited. The third category (10% of the Z-Tel's disputed charges, or about 1% of the billed charges) was "wrong port/switching rate." As explained above and in our August 17 Ex Parte, Verizon has issued credits to Z-Tel and to other CLECs for the difference in price between the full-featured port ordered by Z-Tel, and the lesser featured port plus the additional feature in use on many of Z-Tel's accounts. Those credits appeared on Z-Tel's August bill.

Thus, the remaining amount of the dispute is only about 1% of the current charges on Z-Tel's June bill. The remaining claim listed by Z-Tel is for "unclear charges." The fact that the description for a charge is not easily understood does not make the charge itself erroneous. In any event, however, Z-Tel itself stated that this category represented only nine percent of disputed charges, and disputed charges as a whole represented about 11% of June current charges. In other words, this category of the dispute constitutes only about 1% of the current charges on the June bill.

C. <u>Accounting Claims</u>: In Z-Tel's August 17 ex parte, it also claims that, unless it receives accurate wholesale bills from Verizon, it could experience various "accounting and operational problems." As discussed above, however, Z-Tel has disputed only about 11% of its June 28 bill, and the vast majority of the charges disputed are valid or credits have already been issued to Z-Tel. As shown above, approximately 80% of the 11% of the bill that Z-Tel disputed were either correct charges with missing telephone numbers (45% of total dispute), or charges for which credits appeared on the same bill or the next month's bill (35% of total dispute). Moreover, Verizon has now issued credits for another 10% of the disputed amount (port charges). The remaining dispute is for "unclear charges." While the fact that a description is unclear does not mean that the bill is in error, the remaining amount in dispute is only 1% of the bill.

Moreover, Z-Tel has not shown "due diligence" in pursuing its disputes. Verizon received Z-Tel's claim with respect to its January, February, and March 2001 bills in a letter dated June 12. Z-Tel originally submitted a dispute with respect to its April bill on June 26, but the claim was rejected because it did not include sufficient detail to enable Verizon to investigate it. Z-Tel submitted the detail for its April dispute on August 24. On that date, Z-Tel also submitted disputes with respect to the May bill for its smaller account. Although the cover letter indicated that it was also including detail supporting a dispute with respect to the May bill for Z-Tel's large platform account, the detail was not included. Verizon has called Z-Tel to inform them of this and to request that the detail be sent. Z-Tel submitted its dispute with respect to its June bill on August 13.

D. Detail required for claims: Z-Tel also claims that Verizon has an inconsistent policy with respect to whether ANI or BTN level detail is required in order to submit a claim. As explained in Verizon's Reply Comments, in order to submit a claim, the CLEC must provide Verizon with enough information to investigate the issue – for example, the account number of an account where the charge occurs and an indication of why the CLEC is questioning the charge. McLean/Wierzbicki/Webster Reply Decl. ¶ 46. For claims that are specific to an account or to a sub-set of accounts, the CLEC must provide ANI level detail so that Verizon can investigate the claim. On the other hand, if the CLEC believes that there is a systemic issue that affects all accounts with the same characteristics, then the CLEC should provide that information. For example, the CLEC could submit a claim such as "every loop with USOC XXXX is rated $Y when it should be $Z, according to section x.xx of the tariff."

3. MetTel Claims

A. Dispute of June bill: MetTel raises four specific claims with respect to its June bill. First, it claims that Verizon inappropriately charged late payments fees. Verizon attached a payment history for MetTel to the August 17 Ex Parte. That payment history showed that MetTel has paid nothing this year in Pennsylvania until it made partial payment in August (as described in MetTel's August 2 e-mail attached to CompTel's August 13 ex parte). That is the reason that its June bill included late payment charges. It did so despite the fact that MetTel knows from its own records that, at a minimum, the vast majority of the charges are appropriately owed. It is MetTel's refusal to pay these prior months' bills – the vast majority of which are not subject to any legitimate dispute – that is the reason MetTel's bill included late payment charges.

MetTel attempts to justify its failure to pay its bills by claiming that it has challenged the full amount of all invoices through May 16, 2001, and the entire amount of certain sections of its June 16 bill, because it is unable to "parse and reconcile" the bill. According to MetTel, it has not been able to do so because Verizon's electronic bill in BOS BDT format "does not conform to industry standards." CompTel Ex Parte filed August 13, 2001. As Verizon explained in its Reply Comments, MetTel is simply wrong. Verizon produces the BOS BDT according to the industry guidelines published by Telcordia and the OBF which is sponsored by the Alliance for Telecommunications Industry Solutions ("ATIS"). Differences from the guideline are permitted if they are documented on the company's differences list. Verizon has issued such a differences list. McLean/Wierzbicki/Webster Reply Decl. ¶ 26. Moreover, as PwC explained in its Reply Declaration, it was able to review and analyze CLECs' BOS BDT bills using a readily available, off-the-shelf software package (Microsoft Access). *See* Bluvol/Kumar Reply Decl. ¶ 8. And at least one other carrier stated on the record that it has done so as well. *See* Z-Tel's August 17 ex parte letter.

Second, MetTel claims that Verizon has applied incorrect rates on its accounts. While MetTel has provided a spreadsheet of the rates and USOCs that it claims are incorrect on its bills, it has not provided any information about the component accounts where it claims these charges appeared that would allow Verizon to investigate these claims and, if necessary, correct the account.

Third, MetTel disputes charges for resale usage on its UNE accounts. As Verizon has previously explained, in many instances these charges are for alternately billed calls (such as operator-assisted calls) that were sent to Verizon by another service provider for billing to the end user. Although the charges appropriately apply to the platform account, and are correctly rated, they were mis-labeled as resale usage. McLean/Wierzbicki/Webster Decl. ¶ 151; McLean/Wierzbicki/Webster Reply Decl. ¶ 42. Verizon has placed these charges under investigation, and has sent MetTel a letter informing it that it need not pay these charges until the investigation is complete.

Fourth, MetTel has disputed the "OCC" (other charges and credits) section of its bill in its entirety, claiming that it is unable to validate its bill because it does not conform to industry standards. As discussed above, MetTel is wrong and, in any event, other parties have been able to validate the BOS BDT.

Finally, MetTel argued that Verizon has not assigned a claim number to the dispute it "formalized" in its August 2 correspondence. Verizon has assigned 15 claim numbers to MetTel's disputes (one claim number per billing account number (BAN) per dispute reason).

B. Misdirected billing information: MetTel states that it erroneously received another CLEC's billing information and did not receive its own information. *See* Ex Partes dated August 13 and August 15. This was not a system problem, but instead resulted from human error – the tape was put in the wrong envelope. MetTel opened a trouble ticket with Verizon on August 7. Verizon recreated MetTel's BDT and resent it to MetTel. Verizon then called MetTel and confirmed that MetTel had actually received the information.

C. Erroneous listing as end user: In its August 15 ex parte, CompTel on behalf of MetTel argues that Verizon erroneously listed MetTel as the end user in Verizon's own records and on the PIC change notifications it sends to IXCs for about 10% of MetTel's lines in Pennsylvania. PIC change notifications occur through the Customer Account Record Exchange (CARE) process, a process that is administered in accordance with industry guidelines promulgated by the Ordering and Billing Forum (OBF) of ATIS. Verizon has undertaken a number of steps to understand why a CLEC is sometimes listed as the end user in IXC records.

For example, Verizon examined a sample of the messages sent to IXCs from Verizon when local service migrations occur. That sample showed that Verizon sent the IXCs the correct Transaction Code Status Indicator, providing them with the correct information about the party that should be billed. Verizon has also tested the single service order migration process implemented on June 16 to ensure that it is correctly providing carrier notification of the migration. Finally, Verizon has reached out to a number of IXCs in an effort to understand how the IXCs are using the CARE notifications from Verizon to populate their records. Verizon has not heard back from the IXCs.

Verizon is continuing its efforts to resolve this issue. Another CLEC has provided a list of approximately 500 telephone numbers which have experienced this problem. Verizon is in the process of analyzing these accounts to ensure that the bills were not sent to the CLEC as a result of incorrect notifications sent by Verizon. If Verizon finds a problem in Verizon's system or processes, we will take immediate action to correct it and to fix the embedded base. If the analysis confirms that Verizon is correctly notifying IXCs of migrations, we will offer to work with the CLEC to address this issue with the IXC industry through a joint meeting or conference call or through the OBF.

If you have any questions, please do not hesitate to call me.

Sincerely,

Del May

Attachments

cc: D. Attwood
M. Carey
B. Olson
S. Pie
R. Tanner